



**STATE OF CONNECTICUT  
OFFICE OF THE STATE COMPTROLLER  
55 ELM STREET  
HARTFORD, CONNECTICUT  
06106-1775**

**Kevin Lembo  
State Comptroller**

**Martha Carlson  
Deputy Comptroller**

October 1, 2013

The Honorable Dannel P. Malloy  
Governor of the State of Connecticut  
State Capitol  
Hartford, Connecticut

Dear Governor Malloy:

I write to provide you with financial statements for the General Fund and the Transportation Fund through August 31, 2013.

OPM is projecting that the General Fund is in balance at present with the adopted budget plan for Fiscal Year 2014. The budget plan anticipates a GAAP basis, General Fund balance of \$4.4 million at the close of Fiscal Year 2014. OPM currently estimates that the Transportation Fund will remain in balance with the budget plan for Fiscal year 2014, and will close the year with a balance of \$165.1 million. I am in agreement with these estimates.

OPM has identified several items that could impact the current budget estimates. Medicaid spending has historically experienced significant budget volatility. Because of the Medicaid savings built into the Fiscal Year 2014 budget and the impact of the Affordable Care Act on Medicaid reimbursements and enrollment, this account will require careful monitoring as the fiscal year progresses. OPM also notes that volatility in settlement payments relating to claims against the state will require close review. Finally, OPM is collecting agency data in order to analyze the impact of a federal shutdown on the state economy and the budget. To this list of concerns, I would add a collection trend that is showing sales tax revenues falling short of projections. At this point in time, the trend is not sufficiently established to result in a revenue revision. However, I will be closely monitoring this and other revenue sources and will make adjustments to my projections as required.

The state economy continues to post moderate monthly growth. For the twelve month period ending in August, the state had added 15,400 payroll jobs. In the month of August, the state lost 6,000 jobs. This was the first monthly employment loss after five consecutive months of job gains. The state's unemployment rate was 8.1 percent in August compared to the national rate of 7.3 percent. According to the State Labor Department, the state has now recovered 62,200 of the 121,200 jobs lost during the 2008 recession. Hourly earnings and weekly pay have remained relatively flat over the last twelve months. Existing home sales in the Northeast were up 12.7 percent from one year ago, and prices were up 7.6 percent for the same period. Nationally, advance retail sales were up 4.7 percent from August of last year. Overall, the national economy grew at a rate of 2.5 percent in the second quarter of 2013. This follows first quarter growth of 1.1 percent.

The Honorable Dannel P. Malloy  
October 1, 2013  
Page 2

I also issue a Comprehensive Annual Financial Report (CAFR) that includes financial statements for all state funds that are prepared in accordance with Generally Accepted Accounting Principles (GAAP). From a balance sheet perspective, the GAAP shortfall or unreserved fund balance in the General Fund was \$1.146 billion as of June 30, 2012. This represented an improvement in the unassigned fund balance deficit of just over \$600 million from last year. A final audited CAFR for Fiscal Year 2013 will be available in January.

If you have any questions on this report, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Lembo". The signature is fluid and cursive, with the first name "Kevin" being larger and more prominent than the last name "Lembo".

Kevin Lembo  
State Comptroller

To view files in Excel format, click here: [General Fund](#) | [Transportation Fund](#)